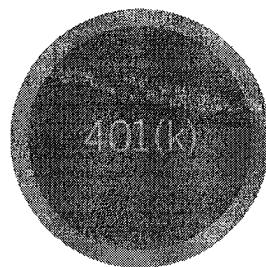


EXHIBIT C

Morgan Stanley



SUMMARY PLAN DESCRIPTION
401(k) and ESOP

The Morgan Stanley 401(k) Plan and the Morgan Stanley Employee Stock Ownership Plan (ESOP) provide you an opportunity to save for retirement on a tax-favored basis and supplement your savings with Company Contributions.

The provisions of the 401(k) Plan and ESOP, as in effect as of July 1, 2007, are summarized here. If there is any conflict between the information in this booklet and any other materials, including any verbal representation, the Plan documents govern. Morgan Stanley and its affiliates reserve the right to amend or discontinue the 401(k) Plan and ESOP at any time.

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Introduction

This booklet is the 401(k) Plan and ESOP (collectively, the "Plans") Summary Plan Description (SPD) and is also a part of a prospectus. The prospectus relates to plan interests of eligible employees in the 401(k) Plan and to shares of common stock, par value \$0.01 per share, of Morgan Stanley (Morgan Stanley Common Stock) purchased from time to time on behalf of eligible employees under the 401(k) Plan. Additional information can be found on Employee Central or the Benefit Center website. If you have questions about the 401(k) Plan or ESOP, or your accounts under either Plan, call a Benefit Representative.

You can use the Benefit Center website to obtain information about the value of your 401(k) Plan or ESOP accounts and to perform certain transactions in your accounts as described in this SPD. Quarterly statements showing your account balances and the account transactions that occurred during the quarter are available on the Benefit Center website.

Once you become eligible to participate in the Plans, visit the Benefit Center website or call a Benefit Representative to enroll, name a beneficiary and make or change your contribution elections.

classification is subsequently upheld for any purpose by a court or Federal, state or local administrative authority; (b) covered by a collective bargaining agreement with respect to which Morgan Stanley or an affiliate is a party, unless such agreement provides for participation in the Plans; (c) hired in connection with an acquisition agreement entered into on or after January 1, 2006, unless such agreement provides for participation in the Plans; or (d) hired at or transferred to an hourly status on or after July 1, 2004, are not eligible to participate in the Plans.

If you provided services to Morgan Stanley (or a predecessor) or its affiliates as an employee of a leasing agency or pursuant to a similar arrangement, you may be entitled to vesting and eligibility credit under the Plans for that service. For more information, call a Benefit Representative.

Participation: Employee Contributions

You are eligible to participate in the 401(k) Plan as of the date you become an Eligible Employee of the Company.

If you are a part-time employee regularly scheduled to work less than 20 hours per week, you are eligible to participate in the 401(k) Plan after you complete one year of service and attain age 21.

You may not make Employee Contributions to the ESOP.

For eligibility for Company Contributions, see the *Company Contributions* section.

Eligibility

Eligible Employees

You may participate in the 401(k) Plan and ESOP if you are a U.S. benefits-eligible employee, generally defined as a full-time employee or a part-time employee regularly scheduled to work 20 hours or more per week. Certain employees of foreign subsidiaries may also be eligible.

Individuals who are (a) classified by Morgan Stanley and its affiliates as non-U.S. benefits-eligible workers, interns, summer associates, contingent workers, leased workers, independent contractors or consultants, regardless of whether or not such

Contributions

Employee contributions to the 401(k) Plan are elective and are deducted from your pay. Company Contributions are allocated to the 401(k) Plan or ESOP by Morgan Stanley.

Employee Contributions

You may be eligible to make contributions to the 401(k) Plan as follows:

- Pre-Tax and After-Tax Contributions
- Catch-Up Contributions
- Rollover Contributions

Pre-tax and After-Tax Contributions

You may elect to contribute from 1% to 20% (Puerto Rico residents are limited to 10% pre-tax) of each of your eligible base salary, commissions and/or bonuses on a pre-tax basis to the 401(k) Plan, up to the limits imposed in the United States (or Puerto Rico) tax code as applicable. (See the *Plan Limits* section for more information.)

If you made pre-tax contributions to the 401(k) plan of another employer during the year, it is your responsibility to ensure that your total calendar year contributions do not exceed the annual IRS limit.

You do not pay Federal income tax (and, in most cases, state and local income tax) on your pre-tax contributions (and their earnings) until you take a withdrawal or distribution from the 401(k) Plan.

If eligible, you may also contribute 1% to 10% (Puerto Rico residents are limited to 7%) of your eligible base salary, commissions and/or bonuses on an after-tax basis to the 401(k) Plan. Highly Compensated Employees (HCEs) are not eligible to make after-tax contributions. The Plan Administrator will determine whether or not you are an HCE for the current calendar year by looking at your earnings for the preceding calendar year and will notify you if you are affected.

- You may make separate pre-tax contribution rate elections for each component of your Eligible Pay:
 - ▶ Base salary, including regular pay, overtime, night premium, allowances, retroactive pay, shift differential and accrued vacation
 - ▶ Bonus, including year-end bonus, deferral plan cash payours and other cash performance awards. (The ability to elect to defer a portion of your bonus is not to be construed as a guarantee that you will receive a bonus in a given year)
 - ▶ Commissions, including margin compensation, sales commission and residual payments
- Contributions must be made in increments of 1%
- You can change your contribution rate at any time. All changes will apply prospectively, as soon as administratively practicable and will continue until you change your election
- Pre-tax savings do not affect the amount of Social Security taxes you pay or benefits you will receive from Social Security
- It is your responsibility to ensure your contributions are being made properly

Catch-Up Contributions

If you will be age 50 or older by December 31 of the Plan year, you may be eligible to make Pre-Tax Catch-Up Contributions to the 401(k) Plan. Catch-up Contributions are in addition to the maximum amount that you can otherwise contribute. (See the *Plan limits* section for more information.)

- To make a Catch-Up Contribution, you must make a separate election of 1%–20% of your Eligible Pay (Puerto Rico residents are limited to 10% pre-tax). This election will apply to all components of Eligible Pay, including base salary, bonus and commissions
- Elections will apply prospectively, as soon as administratively practicable and will continue until you change your election
- Catch-Up Contributions are available for loans, withdrawals, transfers and rebalances
- It is your responsibility to ensure your contributions are being made properly

If you made a Catch-Up Contribution to another employer's plan in the current calendar year, it is your responsibility to make sure that your total Catch-Up Contributions to the combined plans do not exceed the annual limit.

Rollover Contributions

You may roll over certain distributions from your prior employer's qualified plan (such as a 401(k), profit sharing or defined benefit plan) or IRA to the 401(k) Plan. You can make a rollover contribution by directing your prior employer or financial institution to send the eligible amount of your distribution directly to the 401(k) Plan or by delivering some or all of the gross amount of your eligible distribution to the 401(k) Plan within 60 days after you receive it from your prior employer or financial institution. Only cash can be rolled over to the 401(k) Plan (no stock or other property is accepted).

Rollover Contributions will be:

- Invested in the 401(k) Plan investment options according to your investment direction made when completing your *Rollover Request Form*. You may not invest your Rollover Contribution directly into the Morgan Stanley Stock Fund. However, you may elect to transfer your Rollover Contributions from other 401(k) Plan investment options to the Morgan Stanley Stock Fund at any time after the rollover is processed, subject to the trading policies of the 401(k) Plan and ESOP, the Company and the investment funds. (See the *Restrictions on Trading* section for more information.)
- Eligible for transfer, loan or withdrawal

Payments That Cannot Be Rolled Over. The following payments cannot be rolled over to the 401(k) Plan:

- Stock or other property
- Periodic payments made over a specified period of 10 or more years
- Minimum distribution amounts (received after age 70½)
- Nontaxable distributions from either another qualified plan or IRA (for example, after-tax contributions)
- Distributions to nonspouse alternate payees under a Qualified Domestic Relations Order (QDRO)
- Payments made to you as a beneficiary of another person's IRA or qualified plan interest

If you do not make an allowable investment election, your Rollover Contribution will be invested in a default fund or funds, as selected by the Plan Administrator.

To make a Rollover Contribution, contact the Benefit Center within 60 days of receiving a distribution, or before you request a distribution from your current eligible account and request a *Rollover Request Form*. Detailed instructions for making a Rollover Contribution are on the form. A *Rollover Request Form* is also available on the Benefit Center website.

Company Contributions are generally credited to your ESOP or 401(k) Plan account during the first quarter of the year following the calendar year in which the contribution amounts are determined.

Company Match

To help you increase your savings, Morgan Stanley matches a portion of the pre-tax contributions you make to the 401(k) Plan.

To be eligible for a Company Match, you must make pre-tax contributions to the 401(k) Plan during the Plan year.

The Company Match is calculated using pre-tax contributions up to 6% of your Eligible Pay (defined in the *Pay* section and limited to \$170,000).

The Company Match is based on the following formula:

- \$1.00 for each \$1.00 on the first \$2,000 of your eligible pre-tax contributions, plus
- \$0.50 for each \$1.00 of your eligible pre-tax contributions in excess of \$2,000

The maximum Company Match is \$6,100 (\$4,000 for Puerto Rico residents).

The Company Match is allocated to the ESOP and may be made in cash and invested in the Morgan Stanley Stock Fund or may be made in shares of Morgan Stanley common stock contributed directly to the Morgan Stanley Stock Fund.

Retirement Contribution

To be eligible for the Retirement Contribution, you must have been first hired, rehired,* transferred from an international benefit plan, converted from leased worker status or otherwise first become newly U.S.-benefits eligible on or after July 1, 2007 and have completed one year of service (or attained age 21, if later, if you are a part-time employee, scheduled to work less than 20 hours a week).

The Retirement Contribution is equal to a percentage of Eligible Pay (as defined in the *Pay* section, and capped each year at the IRS 401(a)(17) annual limit on compensation in pension plans) based on completed Years of Service (YOS) at December 31, or the last business day of the year, in accordance with the following schedule:

Company Contributions

You may be eligible to receive the following Morgan Stanley-provided contributions:

- Company Match
- Retirement Contribution
- Profit Sharing

In addition to the eligibility requirements described under each section below, to be eligible for Company Contributions for any given Plan year, you must be actively at work or on an authorized leave of absence on December 31 or the last business day of the year, unless you terminate employment because of retirement (for Company Contribution purposes, generally age 55 with five years of service), total and permanent disability, release or death.

* Special rules apply to employees who were grandfathered under certain pension plans prior to January 1, 2004. Refer to the *Pension Plan Summary Plan Description*, available on the Benefit Center website or by calling a Benefit Representative for more information.

Years of Service	Retirement Contribution %
0–9	2%
10–19	3%
20–29	4%
30+	5%

The Retirement Contribution is based on Eligible Pay earned on or after the first of the month coincident with or next following the date you first become eligible.

The Retirement Contribution will be credited to your 401(k) Plan account according to your investment direction on file. If you do not have a 401(k) Plan account or there is no investment direction on file, the contribution will be invested into a default fund or funds, as selected by the Plan Administrator.

Prior service counts in determining eligibility, vesting and the percentage of your Retirement Contribution for eligible rehires and transfers. Prior service as a leased worker counts for the purpose of determining vesting and eligibility service but does not count in determining the percentage of the Retirement Contribution.

Note: Generally, employees hired on or after July 1, 2007 are excluded from participation in the Morgan Stanley Employees Retirement Plan (MSERP). The Retirement Contribution is in lieu of a benefit under the MSERP.

Profit Sharing

Profit Sharing is discretionary and may vary from year to year, depending on the business unit. There is no requirement that Morgan Stanley award any Profit Sharing in any particular year.

Profit Sharing awards for eligible employees (if any) are equal to a percentage of Eligible Pay where Eligible Pay is limited to \$100,000. The percentage is determined at the sole discretion of your business unit. Employees whose Total Pay is \$200,000 or more are not eligible for Profit Sharing.

Profit Sharing is allotted under the ESOP in the form of interests in the Morgan Stanley Stock Fund.

If you are an eligible employee and you retire, die or terminate employment due to Release or while Totally and Permanently Disabled during the year, you will receive a Profit Sharing award (if any) based on your Eligible Pay actually earned during the year.

Pay

For purposes of determining Employee and Company Contributions to your 401(k) Plan and ESOP accounts, Eligible Pay generally includes base salary, cash bonus, commission, cash performance awards, overtime, night premiums, retroactive pay, shift differential, accrued vacation, certain allowances, payouts from deferred compensation plans and amounts you defer under the Flexible Spending Accounts, Commuter Benefits Program and the 401(k) Plan. Eligible Pay does not include amounts deferred to compensation plans, severance payments or settlements, referral fees, relocation expenses, payment of employee expenses, imputed income, certain bonuses to satisfy a loan and benefits paid under any plan or payroll practice on account of retirement, disability or death of an employee or his/her dependents. For Employee Contributions, Eligible Pay does not include pay prior to the period you enroll in the plan or any noncash compensation. For Company Contributions, Eligible pay does not include compensation prior to the date you first became eligible for the Company Contribution.

For purposes of determining profit sharing eligibility, Total Pay generally equals annualized Total Reward which includes all cash and noncash compensation paid to you or deferred during the fiscal compensation year.

Automatic Transfers from the 401(k) Plan to the ESOP

Assets in the Morgan Stanley Stock Fund accumulated in the 401(k) Plan will be transferred to the ESOP once each calendar quarter automatically and held there for your benefit.

This is necessary because of the ESOP's dividend payment election. Morgan Stanley dividends paid on your entire interest in the Morgan Stanley Stock Fund can either be paid to you in cash or reinvested automatically in the Morgan Stanley Stock Fund. The dividend payment election requires that the shares be held in an employee stock ownership plan (an ESOP).

Dividends paid to you during or after 2002 are fully vested at all times, even if the underlying allocation is not (see the *Vesting* section).

See the *Transferring Your Money* section to learn how to transfer funds out of the ESOP.

- To make a dividend payment election, visit the Benefit Center website or call a Benefit Representative
- You may elect to receive in cash any dividends paid on your entire interest in the Morgan Stanley Stock Fund or you may elect to have your dividends reinvested in Morgan Stanley common stock
- Any dividends that are reinvested are done so according to regular ESOP rules
- You can change your election at any time on or before the ex-dividend date. Your election will remain in effect for later dividend payments until you change it. Cash payments will be made on or promptly following each dividend payment date
- You cannot roll over the amount of cash you receive as part of your dividend payment election to an IRA or other qualified plan
- Once you take your dividends out of the ESOP, you cannot put them back into the ESOP or 401(k) Plan
- Cash dividends you elect to receive in cash are taxable, but no taxes will be withheld. You will not be subject to a 10% early withdrawal penalty tax. You will receive a Form 1099-DIV for the dividend amounts paid to you during the tax year. Cash dividends paid to you as a result of your dividend payment election do not qualify for the reduced rate of taxation on corporate dividends

Vesting

Vesting refers to the percentage of your 401(k) Plan and ESOP accounts you are entitled to receive when your employment ends. You are always 100% vested in all of your pre-tax contributions, after-tax contributions, rollover contributions and any earnings on those contributions.

If you were hired on or after January 1, 2004, after you complete three years of service, you become 100% vested in any Company Contributions and earnings on those contributions received while you were an employee. A year of service is a period of service of 12 months whether or not consecutive.

If you were hired before January 1, 2004, your vesting rules are as follows:

- Company Contributions received while you were an employee of Institutional Securities, Institutional Asset Management, Private Wealth Management, Van Kampen Investments or Global Infrastructure Solutions and Company (supporting the foregoing), your Company Contributions are always 100% vested
- Company Contributions received while you were an employee of Global Wealth Management (GWM), Individual Asset Management or Global Infrastructure Solutions and Company (supporting the foregoing) become 100% vested after three years of service. Company Contributions paid before January 2003 and earnings on those contributions are 100% vested after five years of service

All your Company Contributions become 100% vested when your employment terminates for any of the following reasons:

- **Retirement.** Termination of employment when you are at least age 55 and have five or more years of service, or if you were first hired before January 1, 2004, termination of employment at age 65
- **Total and Permanent Disability (or Totally and Permanently Disabled).** When you have a medically determinable physical or mental impairment which is reasonably expected to last for 12 months or more as determined by Morgan Stanley's long-term disability administrator
- **Release.** Termination of employment initiated by any member of the Morgan Stanley affiliated group due to a decision to permanently close a branch office or other facility, or to permanently reduce the number of employees due to a substantial change in economic conditions. Whether a release has occurred is determined at the discretion of the 401(k) Plan and ESOP Plan Administrator
- **Death.** Upon your death, your Plan accounts will be distributed to your Beneficiary (see the *Beneficiaries* section)

If you previously worked for Morgan Stanley (or a predecessor) or its affiliates and are later rehired as an eligible employee, your prior service automatically counts for the purpose of determining your vesting or eligibility service under the plans.

If you provided services to Morgan Stanley (or a predecessor) or its affiliates as an employee of a leasing agency or pursuant to a similar arrangement, you may be entitled to vesting and

eligibility credit under the plan for that service. For more information, contact the Benefit Center.

Even if your Company Contributions are subject to a vesting schedule, dividends paid to you during or after 2002 are fully vested at all times.

Once you become 100% vested in your Company Contributions you are 100% vested in all future Company Contributions.

Forfeitures

The nonvested portion of your 401(k) Plan and ESOP accounts, if any, will be forfeited on the last day of the month in which you terminate employment. However, if you are subsequently credited with one year of service before incurring five consecutive one-year breaks in service, the amount forfeited that is attributable to your ESOP account will be restored to your ESOP account in cash without adjustment for income, gain or loss and reinvested in the Morgan Stanley Stock Fund at current prices. The amount forfeited that is attributable to Company Contributions in the 401(k) Plan will be restored to your 401(k) Plan account in cash without adjustment for income, gain or loss and will be invested according to your investment direction on file. If you do not have an investment direction on file, the amount will be invested in a default fund or funds, as selected by the Plan Administrator. In certain circumstances restoration of forfeited amounts is also available for breaks in service in excess of five years under a grandfather provision.

If your employment with the Company is terminated before you become fully vested and you do not return to employment within five years, your service before such termination will count toward the determination of vesting only. You will not be entitled to any previously forfeited balances. For this purpose, generally, your employment termination begins on the earliest of your resignation, retirement or discharge and ends when you are again credited with an hour of service with the Company.

Plan Limits

Limits on Employee and Catch-Up Contributions

- Your pre-tax employee contributions are limited to 20% of each of your base salary, bonus and commissions (10% for Puerto Rico residents), subject to the limits imposed by the United States or Puerto Rico tax code, as applicable (in 2007: \$15,500 for U.S. residents; \$8,000 for Puerto Rico residents)
- If eligible, you may also contribute 1% to 10% of your Eligible Pay on an after-tax basis (7% for Puerto Rico residents). In order to pass the required IRS non-discrimination tests, HCEs are not eligible to make after-tax contributions
- The Catch-Up Contribution limit for U.S. residents in 2007 is \$5,000. (\$1,000 for residents of Puerto Rico)

If you reach the annual pre-tax limit under the 401(k) Plan, your pre-tax contributions automatically stop. The IRS pre-tax contribution limit applies to all pre-tax contributions you make to any 401(k) plan. Therefore, if you contributed during the year to another employer's 401(k) plan, you must take into consideration any pre-tax contributions made to that plan. It is your responsibility to make sure that your aggregate calendar year contributions to all 401(k) plans do not exceed the annual pre-tax limit.

Limit on Total Contributions

For employees other than residents of Puerto Rico, the maximum annual amount of contributions you can receive in a given calendar year, including Company Contributions under all qualified defined contribution plans sponsored by Morgan Stanley (including both the 401(k) Plan and ESOP), is the lesser of the IRS limit (\$45,000 for 2007) or 100% of eligible compensation (up to \$225,000 for 2007).

Other Limits

The 401(k) Plan and ESOP are subject to tests that are intended to ensure that contributions do not discriminate in favor of Highly Compensated Employees. In the unlikely event that the 401(k) Plan or ESOP fails any of these tests, it may be necessary to limit or refund some or all Company Contributions to certain employees. If these test results affect you, you will be notified.

Excess Contributions

To the extent the Plan is aware of Excess Contributions, any contributions you make in excess of the 401(k) Plan and ESOP limits and the gains or losses on those excess contributions will be refunded to you no later than March 15 of the year following the year those contributions were made.

Investment Options

You direct the investment of your Employee Contributions and Retirement Contributions, if any, in your 401(k) Plan account. **You are responsible for the investment of your 401(k) Plan account.**

Company Match and Profit Sharing, if any, are automatically contributed to the Morgan Stanley Stock Fund in the ESOP.

You may invest your Employee Contributions and Retirement Contributions, if any, in a wide variety of investment options available in the 401(k) Plan. You may change the way your future contributions and/or current balances are invested at any time, subject to certain restrictions. (See the *Restrictions on Trading* section for more information.)

Detailed information about each of the investment options, including fund objectives, risk level and diversification of assets, can be found in your *Investment Fund Guide* included with your enrollment materials, available on the Benefit Center website or by request through the Benefit Center. Fund prospectuses and fact sheets are also available on the Benefit Center website. You are encouraged to review the fund prospectuses and other available information before deciding how to invest your account. Funds available for investment may change from time to time.

Employees paid from a non-U.S. payroll (including employees on a dual contract) or who are based outside the U.S. (including expatriates) are not eligible to invest in the Morgan Stanley Stock Fund through payroll contributions or by Fund Transfers or Account Rebalances.

See the *Transferring Your Money* section for more information on diversifying your Company Match and Profit Sharing award, if any.

The 401(k) Plan is intended to constitute a plan described in section 404(c) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the regulations issued there under, 29 C.F.R. section 2550.404c-1. Because investments under the 401(k) Plan are directed by participants in the manner allowed under ERISA section 404(c), the fiduciaries of the 401(k) Plan may be relieved of liability for losses that are the direct and necessary result of investment instructions given by 401(k) Plan participants or beneficiaries.

Transferring Your Money

You can select a *Transfer Fund Balances*, *Rebalance Account Assets* or *Diversify fund Balances* transaction on the Benefit Center website or by calling a Benefit Representative.

Any Morgan Stanley Stock Fund assets that are held in the ESOP and attributable to Employee Contributions from the 401(k) Plan can be transferred to any available investment option in the 401(k) Plan, except that you may not transfer from the Morgan Stanley Stock Fund in the ESOP to the Morgan Stanley Stock Fund or any closed funds in the 401(k) Plan. After you have moved money out of the ESOP, you can later reinvest in the 401(k) Plan Morgan Stanley Stock Fund.

Prior to requesting any transaction, you should become familiar with the trading policies of the 401(k) Plan and ESOP, the Company, your business unit and the investment funds. (See the *Restrictions on Trading* section for more information).

Fund Transfer (*Transfer Fund Balances* Transaction)

- A Fund Transfer is used if you want to transfer a percentage of your eligible balance from your 401(k) Plan or ESOP account to other investment options held in the 401(k) Plan
- If you are an active employee, a Fund Transfer applies to your current ESOP balance, excluding Company Contributions that are subject to a vesting schedule (Company Match and Profit Sharing) that have not been diversified
- If an option in the 401(k) Plan is not open for new investments, you may transfer out of that option, but you may not transfer into it
- If you are a terminated employee, a Fund Transfer applies to your entire ESOP account balance

Account Rebalance (*Rebalance Account*)

Assets Transaction)

- An Account Rebalance is a total redistribution of your existing balances among selected 401(k) Plan investment options
- If a fund in which your account is invested is not open for new investments, when you elect an Account Rebalance your investment in the closed fund will be redirected to the new options you choose. To keep your investment in the closed fund, you must instead elect a Fund Transfer
- You may include or exclude the Morgan Stanley Stock Fund in an Account Rebalance (see the *Restrictions on Trading* section for more information)
- You must specify a percentage of your balance to invest in each of the available options. The percentages must total 100%

Fund Diversification (*Diversify Fund Balances* Transaction)

- If you are an active employee, a Fund Diversification applies to moving your current ESOP balance attributable to Company Contributions that are subject to a vesting schedule (Company Match and Profit Sharing) among the various investment options in the 401(k) Plan
- If you are a terminated employee, a Fund Diversification does not apply. See the Fund Transfer section
- Once you reach age 55 or are credited with three years of service, you may diversify all your Company Contributions (Company Match and Profit Sharing) among the various investment options in the 401(k) Plan
- If you are under age 55 with at least three years of vesting service, you may diversify your 2006 Company Contributions as well as any future Company Match and Profit Sharing. You may diversify your pre-2006 Company Contributions (Company Match and Profit Sharing) according to the following schedule: up to 25% on or after January 31, 2007, up to 50% on or after May 1, 2007, up to 75% on or after August 1, 2007 and up to 100% on or after October 31, 2007
- You may request ESOP diversification of units only in 1% increments

Requests made before the close of the NYSE (generally, 4 p.m. Eastern Time) are usually performed that day, except where unusual Plan or market conditions preclude processing the transfer that day. Requests made after the close of the NYSE or on a day the NYSE is not open for business are usually performed as of the next business day, unless precluded by Plan or market conditions.

All purchases and sales of shares of the investment options are generally made at the fund's closing net asset value or closing unit value on the date of purchase or sale.

- Your ESOP account balance is valued on a daily basis each business day
- Once funds are diversified, you can transfer them among the different investment options in the 401(k) Plan as often as permitted by the trading policies of the 401(k) Plan and ESOP, the Company and investment options (see the *Restrictions on Trading* section for more information). Once funds are diversified, you cannot transfer them back to the ESOP directly but may invest in the Morgan Stanley Stock Fund in the 401(k) Plan

Important Tax Implications

Before diversifying the eligible portion of your ESOP account balance, you should keep in mind that there are special tax rules for employer securities in qualified plans, including the ESOP. These rules may affect the way your distribution is taxed when you eventually withdraw it from the ESOP. Generally, when you take a qualifying lump sum distribution of employer securities in-kind (shares) (that is not directly rolled over to another qualified plan or an IRA) you will be subject to current Federal income tax on the taxable portion of the cost basis of the shares you receive.

You will not be subject to tax on the Net Unrealized Appreciation (NUA) until you later sell your shares. NUA generally refers to the increase in value of your shares from the date they were acquired by the Plan to the date sold. If you elect a Fund Transfer or Diversification directing the sale of stock, the NUA accumulated to the date of the transaction is lost. If you later reinvest in employer securities, the trust's new cost basis will be used to determine any NUA available. For more detailed information on NUA, review the *Special Tax Rule on NUA FAQ* and the *Special Tax Notice Regarding Plan Payments*, available on the Benefit Center website. Consult with your accountant or tax advisor before you make your election.

Restrictions on Trading

The 401(k) Plan and ESOP prohibit the sale of any investment option other than the Stahle Value Fund (including the Morgan Stanley Stock Fund) within 60 days of a purchase

into that investment option. If you are an Access Person, you are also prohibited from selling the Morgan Stanley Stock Fund within six months of the purchase. Purchases that occur due to payroll contributions less than \$2,500, a dividend reinvestment, a loan payment or a rollover contribution are exempt from these restrictions.

Additional restrictions may apply under the Morgan Stanley's Code of Conduct and your business unit's trading policy, both available through Morgan Stanley's Compliance Department. For details on the policies applicable to the Plan's investment options, see the fund prospectuses. The Benefit Center's systems do not automatically apply these additional restrictions; they are your responsibility.

In addition, for employees, 401(k) Plan and ESOP transactions are subject to the Code of Conduct or Code of Ethics in the same way as are all other transactions outside the 401(k) Plan and ESOP.

It is up to each participant to ensure that he or she complies with the 401(k) Plan and ESOP policies. If it is determined that a participant has violated these policies, the Plan Administrator has the discretion to break (undo) the trade, temporarily or permanently suspend the participant's ability to use electronic or telephonic transfers, limit the participant to written investment requests, or ultimately suspend the participant from further participation in the particular fund or funds.

Restrictions on Morgan Stanley Stock Fund Transactions

Employees paid from a non-U.S. payroll (including employees on a dual contract) or who are based outside the U.S. (including expatriates) are not eligible to invest in the Morgan Stanley Stock Fund through payroll contributions, by Fund Transfers or by Account Rebalances.

Morgan Stanley has specific rules that govern employee transactions in Morgan Stanley stock. For example, employees must acquire Morgan Stanley stock with a view to holding the stock for long-term investment and not for short-term speculation. Morgan Stanley stock restrictions (including applicable window period restrictions) generally apply to your Morgan Stanley Stock Fund transactions in the same way they apply to your other transactions outside the Plans.

Employees may only transact in Morgan Stanley stock (including the Morgan Stanley Stock Fund) during a window period. The window period for employees other than Access Persons begins on the second business day

following the Company's earnings announcement and ends on the last business day of each fiscal quarter. The window period for Access Persons begins on the second business day following the Company's earnings announcement and generally ends 15 business days later.

Access Persons include, but are not limited to, members of the Morgan Stanley Management Committee and employees with the highest title in a business or infrastructure unit (for example, Managing Director).

In addition, 401(k) Plan participants who are subject to Section 16 of the Securities Exchange Act of 1934, as amended, may also be subject to limitations under SEC Rule 16b-3 on the frequency with which they may make Fund Transfers and Diversifications or Account Rebalances.

For further details refer to the Morgan Stanley Code of Conduct or contact your supervisor or Morgan Stanley's Compliance Department.

Loans

You may borrow money from your 401(k) Plan or ESOP account and pay your account back with interest. Morgan Stanley encourages you to review the *Special Tax Notice Regarding Plan Payments* and to consult with your tax or financial advisor before requesting any loan from the 401(k) Plan or ESOP.

Loans are normally processed within two weeks of a properly completed request. You may only have one outstanding loan from each Plan at any time. To request a loan, visit the Benefit Center website or call a Benefit Representative. Loan transactions are subject to loan procedures established by the Plan Administrator.

When You Can Take a Loan

You may request a loan if:

- You are an active employee (including on authorized leave of absence and disability)
- You do not already have an outstanding loan in the Plan from which you are requesting the loan
- This is your only loan request over the last 12 months in the Plan from which you are requesting the loan
- There is an available loan balance

How Much You Can Borrow

Minimum loan: \$500

Maximum loan: The lesser of:

- \$50,000 minus your highest outstanding loan balance in the plans in the last 12 months. For this purpose, we aggregate your loan balances in the 401(k) Plan and ESOP, or
- 50% of your vested 401(k) Plan and ESOP (excluding any Retirement Contribution) balances minus any current outstanding loan balance in the plan from which you are requesting the loan

The Benefit Center website allows you to model loans in different ways. You can see how much you can borrow, how much you would have to pay back each payroll period and how long it would take to repay the loan.

Repaying a Loan

- Loan repayments are deducted automatically from your regular paychecks. Loan repayments are not taken from bonus checks or other special forms of compensation. If you do not receive a regular paycheck (for example, if you are on an unpaid leave of absence) or you are on an international payroll that does not automatically deduct loan repayments, you must make loan repayments directly to the Benefit Center
- You have up to 15 years to repay a loan for the acquisition of your primary residence and up to five years to repay a loan taken for any other purpose. You **must** repay your loan in full, upon your termination of employment
- Once the interest rate for your loan is set, it will remain the same for the duration of your loan. The interest rate is set quarterly at the prime rate plus 1%
- You may repay your loan in full at any time by cashier's check or money order (but you may not make partial prepayments unless your 401(k) Plan loan was processed prior to 1993)
- 401(k) Plan loan payments are invested according to your current investment directions on file. If you do not have a current direction on file, your payments will be invested in a default fund or funds, as selected by the Plan Administrator. ESOP loan payments are invested in the Morgan Stanley Stock Fund

Loan Default

If you terminate employment with Morgan Stanley while you have a loan outstanding, you **must** repay the full balance within 60 days of your termination date (or if earlier, by the date your account balance is paid to you). If you do not or if you default on your loan in any other way, the outstanding amount usually will be considered a taxable distribution to you. Generally, you must pay taxes on this amount unless you make a rollover contribution in the same amount to an IRA or another employer's qualified plan. You will not be taxed on the amount of your loan that represents after-tax contributions.

In-Service Withdrawals

Morgan Stanley encourages you to review the *Special Tax Notice Regarding Plan Payments* and to consult with your tax or financial advisor before requesting any payment from the 401(k) Plan and ESOP. No attempt has been made here to outline all of the rules that may apply in your circumstances. To request an In-Service Withdrawal, visit the Benefit Center website or call a Benefit Representative.

Nonhardship Withdrawal

While you are employed by Morgan Stanley, you may withdraw your after-tax contributions (including earnings), pre-1987 after-tax contributions, and IRA/DPSP Match balances (generally applicable to accounts established before 1997) in the 401(k) Plan and ESOP. After age 59½, you may withdraw any or all of your vested 401(k) Plan or ESOP account balances.

- Money is withdrawn hierarchically from all 401(k) Plan and ESOP account types. Generally, the hierarchy is after-tax employee contributions, pre-tax employee contributions and Company Contributions (including any Retirement Contribution)
- Generally, withdrawals and distributions are paid pro rata from all investment options in which your 401(k) Plan account is invested. You may elect to exclude the portion of your account invested in the Morgan Stanley Stock Fund from a partial withdrawal, in which case the pro rata payment will be made from all other investment funds

- You may defer paying taxes at the time you take a withdrawal by directly rolling over your eligible withdrawal to an IRA or another employer's qualified plan. See *Direct Rollover* section under *Distributions under the Plan* for more information
- Once you withdraw money from the 401(k) Plan or ESOP you cannot put it back into the 401(k) Plan or ESOP
- Minimum withdrawal amount: \$500 or, if less, the remainder of your available account
- You may take up to two nonhardship withdrawals in each plan per calendar year
- Withdrawals are normally processed within two weeks of request

Hardship Withdrawal

You may request a hardship withdrawal from the 401(k) Plan or ESOP if you have an immediate and heavy financial need, as described below.

When You Can Take a Hardship Withdrawal

- You must have exhausted all other financial resources reasonably available to you
- You must have a loan from the 401(k) Plan and ESOP outstanding to show that you have taken advantage of other reasonable resources. You must have previously or simultaneously taken any available in-service withdrawal from the 401(k) Plan and ESOP, including the cash payment of any dividends
- Your other readily-available financial resources (such as a savings account, marketable securities, discontinuation of contributions to the 401(k) Plan or a loan from a commercial lender) must have been used or must not be reasonably available

There is no limit to the number of hardship withdrawals you may take from the 401(k) Plan and ESOP.

Types of Hardship and Documentation Required

Hardship distributions are only allowed for the specific purposes listed below. You must provide the type of documentation specified in this section under the appropriate category to substantiate your claim of a hardship. No other type of hardship distribution is available.

Uninsured or Unreimbursed Medical Expenses

You may request a hardship withdrawal for uninsured or unreimbursed medical expenses incurred or about to be incurred by you, your spouse, children, domestic partner named as your beneficiary or your tax-qualified dependents.

Required documentation (dated within the last six months):

- Explanation of Benefits (EOB) from the medical plan administrator showing the expenses were not covered
- Statement from the doctor indicating that payment for an upcoming expense must be made at this time (if you are uninsured), or
- Doctor's bill for services rendered and a statement that you do not have insurance

Purchase or Construction of Principal Residence

You may request a hardship withdrawal for the purchase or construction of your principal residence (excluding mortgage payments) or for the purchase of land if you have the intention to build your principal residence.

Required documentation (dated within the last three months):

- Home purchase—purchase agreement signed by the buyer and the seller
- Home construction—contractor agreement, land deed and building permit

Postsecondary Tuition Expenses

You may request a hardship withdrawal for tuition expenses and related educational fees including room and board and costs for trade schools or vocational education to enhance job skills, for the next 12 months of postsecondary education for you, your spouse, children, domestic partner named as your beneficiary or your tax-qualified dependents.

Required documentation:

- An itemized bill from the school

Prevention of Foreclosure or Eviction

You may request a hardship withdrawal for expenses to prevent foreclosure or eviction from your principal residence.

Required documentation:

- Foreclosure or eviction notice

Funeral Expenses

You may request a hardship withdrawal for the costs related to funeral expenses for your parents, spouse, children, domestic partner named as your beneficiary or your tax-qualified dependents.

Required documentation:

- Copy of death certificate
- Unpaid bill from the funeral home

Repairs to Primary Residence due to certain casualty losses, such as a Natural Disaster

You may request a hardship withdrawal for the costs related to repairs to your principal residence as a result of a casualty loss.

Required documentation:

- A bill itemizing repairs required to your principal residence as a result of a casualty loss
- For a natural disaster, proof that home was in area impacted by the disaster
- Copy of homeowner's insurance to show the deductible
- Letter from insurance company itemizing noncovered repairs

Amount Available for Withdrawal

You may request no more than the amount required to satisfy the immediate need created by the financial hardship plus the amount needed in order to make up for anticipated Federal, state and local taxes.

No part of a hardship withdrawal is eligible for rollover to an IRA or another qualified plan.

Retirement Contributions are not available for a Hardship Withdrawal

Suspension for Withdrawing Pre-tax Contributions

If your hardship withdrawal includes any money you contributed on a pre-tax basis (including earnings on that amount), you may not contribute to the 401(k) Plan for six months after your hardship withdrawal. Hardship withdrawals are generally subject to income tax. This may include a 10% early distribution tax if you are under age 59½. See the *Special Tax Notice Regarding Plan Payments*.

Distributions under the Plan

Morgan Stanley encourages you to review the *Special Tax Notice Regarding Plan Payments* and to consult with your tax or financial advisor before requesting any payment from the 401(k) Plan or ESOP. No attempt has been made here to outline all of the rules that may apply in your circumstances. To request a distribution from the 401(k) Plan and/or ESOP, visit the Benefit Center website or call a Benefit Representative.

Automatic Payment

If you terminate employment (including retirement) with Morgan Stanley and the combined balance in your 401(k) Plan and ESOP is \$1,000 or less, you will automatically receive the balances of the Plans in a lump sum payment.

For example, if your ESOP account balance is \$500 and your 401(k) Plan account is \$500, your 401(k) Plan and ESOP accounts will automatically be cashed out. You may have an opportunity to roll over the payment to an IRA or another employer's qualified plan within 60 days of the distribution.

- Your 401(k) Plan and/or ESOP cash-out distribution will be processed on the last business day of the month of your termination. All stock will be distributed in-kind (shares) and the remainder, if any, in cash, normally by the end of the calendar quarter following your termination unless you elect to roll over the eligible portion of your distribution to an IRA or another employer plan that accepts rollovers
- You may request a direct rollover or an in-kind (share) distribution of your Morgan Stanley common stock held in the Morgan Stanley Stock Fund. If you are requesting a rollover of shares, you should verify with the recipient institution that it will accept rollovers in the form of stock
- Distributions that are not rolled over are generally subject to income tax and may be subject to a 10% penalty tax if you are under 59½. Special tax rules apply to in-kind (share) distributions of Morgan Stanley stock. See the *Special Tax Notice Regarding Plan Payments*

- After-tax contributions in the 401(k) Plan and ESOP may be eligible to be rolled over to an IRA or another employer plan that accepts rollovers. See the *Direct Rollover* section under *Distributions under the Plan* for more information

Final Distribution

If you terminate employment (or retire) with Morgan Stanley and the combined balance in your 401(k) Plan and ESOP is greater than \$1,000, you may request a single lump sum payment of your total 401(k) Plan and/or ESOP account.

- You can request a final distribution any time beginning 21 days from your separation with Morgan Stanley
- You may elect to take your ESOP distribution at a different time than you take your 401(k) Plan distribution
- Your distribution from the 401(k) Plan and/or ESOP will be paid to you in cash representing the value of all of your 401(k) Plan or ESOP holdings, unless you elect to receive your interest in the Morgan Stanley Stock Fund as an in-kind (share) distribution (with any fractional shares paid in cash)

Direct Rollover

You may elect to roll over the amount of your Final Distribution to an IRA or another employer's qualified plan that accepts rollovers. Certain amounts are not eligible for rollover. (See the *Special Tax Notice Regarding Plan Payments* for information on amounts not eligible for rollover.)

- You will receive a check made payable to the recipient institution and/or Morgan Stanley stock certificates issued in the name of the recipient institution. The check and/or stock certificates will be sent to you for deposit with the recipient institution. It is your responsibility to deliver the check and/or stock certificates to the recipient institution promptly upon receipt and in no event more than 60 days from the day you receive the check and/or stock certificates. Neither Morgan Stanley, the 401(k) Plan nor the ESOP will be responsible for your failure to timely deliver rollover amounts to the recipient institution or the recipient institution's failure to timely process your rollover amounts
- Not all employer plans accept rollovers. You should check your new employer's plan administrator before electing a direct rollover to a qualified plan

- You may request a direct rollover or an in-kind (share) distribution of your Morgan Stanley common stock held in the Morgan Stanley Stock Fund
- If you request an in-kind (share) distribution of your Morgan Stanley stock, you should verify with the recipient institution that it will accept rollovers in the form of stock
- You are not subject to Federal income tax at the time you rollover amounts from the 401(k) Plan or ESOP. If you do not elect a direct rollover, your distribution generally will be subject to tax withholding. (See the *Special Tax Notice Regarding Plan Payments* for further information)
- If you roll over Morgan Stanley common stock held in the Morgan Stanley stock fund, you may lose special tax treatment on Net Unrealized Appreciation (NUA) on those shares. For more information on NUA, please review the *Special Tax Rule on NUA-FAQ*, available on the Benefit Center under *Tax Information, Documents & Forms*. Consult with your accountant or tax advisor before you make an election

Amounts eligible for rollover:

- Taxable payments with a specified payment period of no more than the lesser of 10 years or your remaining life expectancy
- Taxable payments to your spouse or designated beneficiary after your death (but only for a rollover to an IRA)
- Taxable payments to your spouse or former spouse pursuant to a Qualified Domestic Relations Order (QDRO)
- After-tax contributions

Partial Payments

After your termination of employment with Morgan Stanley, you may take partial payments from the 401(k) Plan and/or ESOP in any amount you choose, but not less than \$500.

- You may request up to two partial payments per Plan per calendar year
- You generally may roll your partial payment over to an IRA or another employer's qualified plan that accepts rollovers
- Money is withdrawn hierarchically from all 401(k) Plan and ESOP account types. Generally, the hierarchy is after-tax contributions, pre-tax employee contributions and Company Contributions

- Generally, withdrawals and distributions are paid on a pro rata basis from all investment options in which your 401(k) Plan account is invested. You may elect to exclude the portion of your account invested in the Morgan Stanley Stock Fund from a partial withdrawal, in which case the pro rata payment will be made from all other investment funds
- **If a partial distribution is taken after your termination date, you may lose special tax treatment on Net Unrealized Appreciation (NUA), if any, on those shares.** For more information on NUA, please review the *Special Tax Rule on NUA-FAQ*, available on the Benefit Center under *Tax Information, Documents & Forms*. Consult with your accountant or tax advisor before you make an election.
- If you roll over Morgan Stanley common stock held in the Morgan Stanley Stock Fund, you may lose special tax treatment on Net Unrealized Appreciation (NUA) on those shares

Deferring Your Payment

If you do not want to take your money out of the 401(k) Plan or ESOP when you leave Morgan Stanley and your combined account balance is greater than \$1,000, you may defer distribution of your account. You may elect to take your payment at any time up to April 1 of the year after the year in which you turn age 70½. If you do not elect a final distribution by that time, your final distribution will be paid to you automatically.

- Distributions of your accounts will automatically be deferred at or upon retirement or termination of employment unless you elect to receive a final distribution
- If distribution of your account is deferred, your 401(k) Plan and ESOP accounts will continue to be credited with earnings and losses. You will continue to be able to change the way your 401(k) Plan and ESOP accounts are invested among the available investment options in accordance with Plan terms

Distributions to Former Employees of Kearny Realty Investors

Participants who participated in the Kearny 401(k) Profit Sharing Plan and Money Purchase Pension Plan (Kearny Plans) before they merged into the 401(k) Plan on December 31, 1998, were entitled to receive the benefits earned under the Kearny Plans before the merger (their pre-merger benefits) in any of the payment forms previously available under those

plans. The payment forms were continued under the 401(k) Plan. As provided in the applicable regulations the 401(k) Plan has been amended to limit the payment forms to those generally available under the 401(k) Plan plus the normal forms of payment for amounts transferred from the Kearny Money Purchase Pension Plan, as described below. This means that benefits earned by former Kearny employees under the Kearny Plans generally are payable in the same way as other benefits under the 401(k) Plan.

In the case of amounts transferred to the 401(k) Plan from the Kearny Money Purchase Pension Plan, the normal form of payment is a joint and 50% spousal annuity for married participants, a single life annuity for single participants and the normal form of death benefit payment is a 50% annuity for the surviving spouse. Amounts transferred from the Kearny Money Purchase Pension Plan are payable in these forms unless a participant elects to receive payment in another form available under the 401(k) Plan (with any required spousal consent).

Leaves of Absence

You are not entitled to a distribution of your Plan accounts when you are an employee who is absent from work due to the following:

- Military service
- Company-approved leave of absence
- Disability or illness
- Jury duty
- Approved vacation or holiday
- Parental leave

Military Leave Make-Up Contributions

In accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), participants returning from qualified military leave have the opportunity to make up any employee contributions to the 401(k) Plan missed during their leave. The maximum contribution amount will be based on the Morgan Stanley Eligible Earnings you would have received during your leave. Any qualified deferred contributions, up to the maximum amount, must be made

during an allotted time period after reinstatement (the lesser of three times the period of qualified military service or five years).

Any pre-tax employee contribution attributed to a qualified military service leave will receive the Company Match that would have been made had such pre-tax employee contribution actually been made during the period of qualified military service. The participant will also receive any Profit Sharing awards (if eligible) and Retirement Contributions (if eligible) that would have been made during the period of qualified military service, based on the Eligible Earnings that would have been received during the year. Both pre-tax employee make-up contributions and any Company Contributions will be made on a current basis without adjustment for earnings, gains or losses which might have accrued had the contributions been made during the period of qualified military service.

Taxation of Distributions

You may have to pay taxes on money or shares you receive from your 401(k) Plan or ESOP accounts. The amount of taxes you may have to pay will depend on your personal circumstances and on how and when you receive the money or shares. Before taking any distribution from the 401(k) Plan or ESOP, consult with your accountant or tax advisor. Please see the *Special Tax Notice Regarding Plan Payments* for more information. The information contained in this SPD is general in nature, is not individual tax advice and may not be used to avoid any tax or tax penalty. Tax laws are complex and subject to change, and their application may vary based on the circumstances. Morgan Stanley, its benefit plans and their service providers do not provide tax or legal advice. It is your responsibility to consult your own tax and legal advisors.

State Withholding Taxes

State withholding is calculated at the minimum level for states that require withholding.

Other states may have optional withholding. Withholding is not calculated for states that do not require withholding unless you request it.

For more information on how your distributions may be taxed by your state, obtain a copy of your current state tax booklet from your state's tax department, your local library or your tax advisor.

Voting Rights on Shares in the 401(k) Plan and ESOP

You may direct a vote (or give tender or exchange offer instructions) on shares of Morgan Stanley common stock under the 401(k) Plan and ESOP.

- If you do not vote shares credited to your account, generally they will be voted in the same proportions as the shares that are voted by other participants, as described below
- If you do not direct to tender shares credited to your account, generally they will not be tendered
- Your voting and tender directions will be taken into account in determining how to vote any unallocated shares held by the Plan
- The voting and tender rules differ for unvoted shares
- These rights make you a "named fiduciary" under the 401(k) Plan and ESOP

Voting Rules

Unvoted shares are voted for and against the matter being voted on in proportion to the total votes for and against the matter on shares. Therefore, unvoted shares are voted as follows:

For

Number of shares voted **For**

Divided by

Total number of shares voted for or against

Times

Number of unvoted shares

Against	
Number of shares voted Against	
<i>Divided by</i>	
Total number of shares voted for or against	
<i>Times</i>	
Number of unvoted shares	
■ This rule also applies for votes on mergers or similar transactions	

Tender Offers Rules

- The rule for tender offers is different than the rule for voting. Shares for which no tender direction is given will not be tendered
- If there is a tender for less than all shares or if there are more tender directions than can be satisfied, participant shares are tendered on a pro rata basis
- The difference in voting and tender offers is as follows: In voting, the unvoted shares do not get included in the denominator of the equations shown above. In tender offers, undirected shares are included (as no tenders) in the denominator

Plan Confidentiality

All materials provided to the 401(k) Plan and ESOP relating to the exercise of voting, tender offer or similar rights will be sent to you by Morgan Stanley or the Trustee. Your voting and tender instructions are given by you to the Trustee in writing or electronically, on a confidential ballot provided to you for this purpose. Your individual instructions may not be divulged to any person. The Plan's trustee, Mellon Bank (see the *Other Important Information* section for address and phone number), is responsible for monitoring compliance with these confidentiality procedures.

Beneficiaries

It is important to designate a beneficiary to receive your interest in the 401(k) Plan and ESOP in the event of your death.

All beneficiaries must request a final distribution of their accounts no later than the December 31 following the five-year anniversary of your death.

Beneficiary Designation

- The latest valid beneficiary designation on file with the Benefit Center at the time of your death governs
- Your beneficiary must be the same for the 401(k) Plan and ESOP
- Morgan Stanley is not responsible for *Beneficiary Designation Authorization Forms* that are not received or processed by the Benefit Center on a timely basis. You are responsible for periodically checking your beneficiary designation on the Benefit Center website
- If you have no valid beneficiary designation on file, your spouse is automatically your beneficiary if you are married and your estate is automatically your beneficiary if you are not married
- Whether a person is a spouse will be determined using the eligibility standards for U.S. Social Security benefits
- If you are married (using the eligibility standards for U.S. Social Security benefits) and want to name someone other than your spouse as the beneficiary, your spouse must agree in writing by signing the spousal consent portion of your *Beneficiary Designation Authorization Form* in the presence of a notary public
- Your account is divided equally among all surviving designated primary beneficiaries, unless you specify otherwise
- You may name a trust as your beneficiary
- Beneficiary percentages must be in whole percentage increments

How to Change Your Beneficiary

To designate your beneficiary(ies), from the main menu on the Benefit Center website, click on *Personal Information*, then *Beneficiaries* and then on *Update Designations*. Once you have entered all your requested beneficiary information, click on *Continue* until you reach the *Save Designations* screen. Here you can elect to print out or have the Benefit Center mail your *Beneficiary Designation Authorization Form* to your home address. You must sign your *Beneficiary Designation Authorization Form* and mail it to the Benefit Center in order for your elections to become effective. After the form is processed, you will receive a confirmation statement in the mail.

Required Distribution

In general, the distribution of your 401(k) Plan and ESOP accounts must begin by April 1 of the year following the later of the year you retire or the year you reach age 70½ (the Required Beginning Date).

- If you do not take a distribution by the Required Beginning Date, one will be automatically sent to you
- If you reach age 70½ after 2000, you will receive a lump-sum distribution of your account under the 401(k) Plan and ESOP no later than your Required Beginning Date. See the *Special Tax Notice Regarding Plan Payments* for more information
- You will receive separate payments from the 401(k) Plan and the ESOP

The Plan Administrator will attempt to notify you before a distribution is required. The responsibility for taking required distributions, however, is yours in all cases. Accordingly, neither Morgan Stanley, the 401(k) Plan and the ESOP will be responsible for your failure to take a required distribution nor for the improper calculation of the amount of your required distribution.

ESOP
Morgan Stanley
c/o Benefit Center
PO Box 470
Little Falls, NJ 07424-0470

Sponsor's Employer Identification Number
Morgan Stanley & Co. Incorporated—13-2655998
Morgan Stanley—36-3145972

Plan Administrator

Morgan Stanley Global Head of Human Resources
c/o Benefit Center
PO Box 470
Little Falls, NJ 07424-0470
1-877-685-4481

Type of Plan

401(k) Plan—Defined Contribution/Profit Sharing Plan with Internal Revenue Code Section 401(k) Cash or Deferred Arrangement and ERISA Section 404(c) Features

ESOP—Defined Contribution/Stock Bonus

Since the 401(k) Plan and ESOP are defined contribution plans, the benefits provided under these Plans are not insured by the Pension Benefit Guaranty Corporation.

Plan Year

Calendar Year

Plan Trustee

Mellon Bank, N.A.
One Mellon Bank Center, Room 1330
Pittsburgh, PA 15258
1-800-234-6356

Agent for Service of Legal Process

The designated agent for the service of legal process is:
Legal and Compliance Division
Morgan Stanley
1585 Broadway
New York, NY 10036
Attn: Chief Legal Officer

Service of legal process also may be made on the Plan Administrator or the Plan Trustee.

Other Important Information

Plan Name and Number

Morgan Stanley 401(k) Plan—003
Morgan Stanley Employee Stock Ownership Plan—003

Plan Sponsor

401(k) Plan
Morgan Stanley & Co. Incorporated
c/o Benefit Center
PO Box 470
Little Falls, NJ 07424-0470

Participating Employers

All majority owned U.S. subsidiaries and affiliates of Morgan Stanley (including Morgan Stanley & Co. Incorporated) with U.S. employees are employers participating in the Plan, except that certain affiliates acquired after January 1, 2006 do not participate in the Plan.

A complete list of employers participating in the Plans may be obtained by written request to the Plan Administrator at the address shown. Plan participants and beneficiaries may also receive, upon written request to the Plan Administrator, information as to whether a particular employer participates in the Plans, and if the employer does participate, the employer's address.

If the 401(k) Plan or ESOP is Terminated or Modified

Although Morgan Stanley and its affiliates expects to continue the 401(k) Plan and ESOP indefinitely, Morgan Stanley & Co. Incorporated, by action of its Board of Directors (or its delegate, the Morgan Stanley Global Head of Human Resources), has, and necessarily reserves the right to amend, modify or discontinue the 401(k) Plan or ESOP at any time and for any reason or from time to time. If the 401(k) Plan or ESOP is terminated, you will have a fully vested and nonforfeitable right to your account balances from the terminated Plan. The exact form of payment may be set by law; however, if there is a choice, the Plan Administrator will decide the type and timing of payment.

Assignments or Pledges

The Trustee holds legal title to all amounts in the trust funds and property held for the undivided interest of all 401(k) Plan and ESOP participants. Under ERISA, your interest (and your beneficiary's interest) under the 401(k) Plan and ESOP cannot be assigned, pledged, alienated or subject to any lien. As a result, your interest cannot be used for collateral for a loan and is not subject to garnishment, attachment or other creditor's process. However, payment will be made in accordance with any judgment, decree or order used to provide child support, alimony or marital property rights to your spouse, former spouse, children or other dependents, which meets the requirements of a QDRO, as defined in ERISA and the Internal Revenue Code, and as determined by the Plan Administrator.

A copy of the 401(k) Plan and ESOP procedures for determining whether a court order is a QDRO will be provided, free of charge, to interested parties whenever the Plan Administrator receives a domestic relations order or upon request.

Under the Internal Revenue Code, the Internal Revenue Service has a right to attach some or all of your account in connection with a judgment resulting from an unpaid tax assessment.

No Guarantee of Employment

Neither this booklet nor participation in the 401(k) Plan or ESOP is a guarantee of continued employment.

Plan Documents Govern

This material is a summary of certain provisions of the 401(k) Plan and ESOP. It is based on the legal Plan documents that govern the 401(k) Plan and ESOP. If there is any difference between the information described here or any verbal representation and the legal Plan documents, the legal documents will govern.

Top-Heavy Rules

Certain alternate Plan provisions go into effect in the unlikely event that the 401(k) Plan or ESOP is *top-heavy*—if certain highly paid employees are receiving a disproportionate share of Company Contributions. You will be notified if you are affected.

Discretionary Authority of Plan Administrator and Other Plan Fiduciaries

In carrying out their respective responsibilities under the 401(k) Plan and ESOP, the Plan Administrator and other Plan fiduciaries shall have discretionary authority to make any findings necessary or appropriate for any purpose under the 401(k) Plan and ESOP including to interpret the terms of the 401(k) Plan and ESOP and to determine eligibility for and entitlement to Plan benefits. Any interpretation or determination made pursuant to such discretionary authority shall be given full force and effect, unless it can be shown that the interpretation or determination was arbitrary and capricious.

Confirmation of Your Elections

Any elections that you make under the 401(k) Plan and ESOP will only become effective when you confirm your election

after making your transaction on the Benefit Center website or by calling a Benefit Representative and when the elections are processed by the Benefit Center. You will receive a confirmation of your elections, which you should check carefully to ensure it reflects your intent. If it is incorrect or you do not receive a confirmation within 14 days of making your elections, it is your responsibility to call a Benefit Representative.

Your ERISA Rights

As a participant in the 401(k) Plan and/or ESOP, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended (ERISA). ERISA provides that all Plan participants shall be entitled to:

Receive Information about Your Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing each Plan including a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan including the copies of the latest annual report (Form 5500 Series) and updated SPD. The Plan Administrator may make a reasonable charge for the copies
- Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plans. The people who operate the 401(k) Plan and ESOP, called "fiduciaries" of the 401(k) Plan and ESOP, have a duty to do so prudently and in the interest of you and other 401(k) Plan and ESOP participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise

discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for under the 401(k) Plan or ESOP is denied or ignored in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plans and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan Administrator's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court.

If it should happen that plan fiduciaries misuse the plans' money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees (for example, if it finds your claim is frivolous).

Assistance with Your Questions

If you have any questions about the 401(k) Plan or ESOP, contact the Benefit Center. If you have any questions about this statement or about your rights under ERISA or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory of the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Appendix

Claims and Appeals Process Under the Morgan Stanley Benefit Plans

The following is a general summary of the claims and appeals process for Morgan Stanley benefit plans. The summary contains information that is relevant to this Plan and other Morgan Stanley plans. As you read this summary, please note the information that is relevant to this Plan.

In most cases, benefits to which you are entitled are paid upon your request. Depending on the Plan, in certain instances you request payment (sometimes referred to as a "claim" by the health plan administrators) by sending a written claim form to the Plan's administrator or insurer (such as UnitedHealthcare, BlueCross BlueShield and MetLife) or to the Benefit Center. Forms are available on Employee Central, the Morgan Stanley intranet, the Benefit Center website or from the claims administrator.

The appropriate administrator will either make the payments you request, advise Morgan Stanley to make the payments or explain to you in writing why payment is denied. If you disagree with the explanation, you may file a claim. A "claim" is your first request for a review of the denial, and an "appeal" is your second request for review of the denial.

If My Initial Request for Payment Is Denied, How Do I File a Claim for Benefits?

If you have a question or concern, call a Benefit Representative or the appropriate administrator's Member Services before filing a claim. If a Benefit Representative or Member Services cannot resolve the issue to your satisfaction, you or an authorized representative (your spouse or adult child, or a person authorized, in writing or by a court on your behalf) have the right to file a claim with the appropriate Reviewer. Your claim must be in writing. Send all documentation that you consider relevant, and a statement of why you believe your claim should be granted, to the Claim Reviewer listed on the following page. If the Administrative Committee is the Reviewer, send your claim to the Benefit Center. Otherwise, see the Plan's SPD or contact the Benefit Center for the appropriate address. If you are not satisfied with the Claim Reviewer's decision, you have the right to file an appeal (a second request for a review of your denial).

Who Reviews My Claim or Appeal?

The person or entity that reviews your claim or appeal, called the "Reviewer," depends on the plan involved, the type of request for review, the amount involved and whether it is a claim (your first level of review) or appeal (your second level of review). The following chart shows the Claim and Appeal Reviewers for each of the plans listed. If the amount involved is \$20,000 or less and the Reviewer is the Morgan Stanley Benefit Plan Administrative Committee, your claim may instead be decided by Morgan Stanley's Director of Benefits (or her delegate). The Director of Benefits determines whether the amount involved exceeds \$20,000.

Plan	Type of Review Requested	Claim Reviewer (First Level Review)	Appeal Reviewer* (Second Level Review)
Medical Plan (including prescription drug coverage)	Type or amount of benefits payable	Claims Administrator (BCBS, CIGNA, UHC or Caremark)	Claims Administrator (BCBS, CIGNA, UHC or Caremark)
HMSA Medical Plan	Type or amount of benefits payable	Hawaii Medical Service Association	Hawaii Medical Service Association
Kaiser Permanente HMO	Type or amount of benefits payable	Kaiser Permanente	Kaiser Permanente
CIGNA International Medical and Dental Plan	Type or amount of benefits payable	CIGNA International	CIGNA International
MetLife Dental Plan	Type or amount of benefits payable	MetLife	MetLife
VSP Vision Plan	Type or amount of benefits payable	VSP	VSP
Life Insurance Plan	Type or amount of benefits payable	Aetna	Aetna
Short-Term Disability (STD)	Type or amount of benefits payable	Reed Group	Reed Group
Long-Term Disability (LTD)	Type or amount of benefits payable	First UNUM	First UNUM
AD&D Plan, BTA Plan	Type or amount of benefits payable	CIGNA	CIGNA
Long-Term Care (LTC) Plan	Type or amount of benefits payable	MetLife	MetLife
Flexible Spending Accounts (FSAs)	Type or amount of benefits payable	UHC	UHC
Legal Assistance Plan	Type or amount of benefits payable	Hyatt Legal Plans	Hyatt Legal Plans
Medical, Dental, Vision, Life Insurance, STD, LTD, AD&D, BTA, LTC, FSAs, Legal Assistance	Eligibility, coverage, amount of premiums and other matters not covered by administrator's or insurer's contract	Administrative Committee	Hearing Panel
Morgan Stanley Employees Retirement Plan, 401(k) Plan, ESOP, ESPP, EAP, Severance Pay Plan	All	Administrative Committee	Hearing Panel

* Certain health plan administrators offer a Voluntary Third Level of Review. Check with your health plan administrator for details.

When Must I File a Claim?

Your claim must be filed in a timely manner. Unless otherwise specified in this Appendix, you must file your claim within 180 days following the date your initial request for benefits is denied.

If you want to file an appeal (the second level review) after your claim (the first level review) is denied, you must do so within 180 days following the denial of your claim. Certain insured programs (such as Kaiser HMO) require that appeals be made within shorter time frames. Check with the insurer for details.

You may not bring a lawsuit to recover benefits under this Plan until you have exhausted the Plan's administrative process described in this booklet. If your appeal is denied you have the right to file a lawsuit under ERISA, provided you do so before the earliest of:

- Six months following the date your appeal has been denied
- Three years following the services related to the amount you are appealing were performed, or
- The end of the otherwise applicable statutory limitation period

When Will I Receive a Decision on My Claim or Appeal?

Deadlines differ depending on the Plan involved, the nature of the review requested and whether it is a claim or appeal. Unless otherwise specified in this Appendix, claims will be decided within 90 days of receipt, but a 90-day extension is allowed if the Reviewer needs additional time due to special circumstances, and appeals will be decided within 60 days of receipt, but a 60-day extension is allowed if the Reviewer needs additional time due to special circumstances.

The following chart shows where different deadlines apply:

	Claim Reviewer	Appeal Reviewer
Medical, Dental and Vision Plans: Urgent Care Reviews	ASAP; but within 72 hours of receipt; 48-hour extension after you provide any additional needed information	ASAP; but within 72 hours of receipt
Medical, Dental and Vision Plans: Pre-Service Reviews	15 days; 15-day extension	30 days
Medical, Dental and Vision Plans: Concurrent Care Reviews	See next page	See next page
Medical, Dental and Vision Plans: Postservice Reviews	30 days; 15-day extension	60 days
FSAs	30 days; 15-day extension	60 days
STD	45 days; 60-day extension	45 days; 45-day extension
LTD	45 days; 60-day extension	45 days; 45-day extension
LTC	60 days; 60-day extension	60 days; 60-day extension

Definitions:

- **Urgent Care Review:** a claim that requires expedited notification or authorization for medical treatment because the longer time periods applicable to other types of reviews (1) could seriously jeopardize your life or health or ability to regain maximum function or (2) would, in the opinion of a physician with knowledge of your medical condition, subject you to severe pain that cannot be adequately managed without the requested treatment. Urgent care reviews are decided on an expedited basis. Urgent care reviews may be requested orally and all necessary information, including the decision on appeal, will be sent to you by telephone, fax or another expeditious method. If you do not provide sufficient information to determine whether, or to what extent, your claim is covered, you will be notified within 24 hours after the Plan receives your claim of the specific information needed to complete the claim. You will have at least 48 hours to provide this information. If you do not follow the plan's procedures for filing an urgent care claim, you generally will be notified of the failure and the proper procedures within 24 hours
- **Preservice Review:** a claim for treatment where prior plan approval or notification is required in order for the plan to cover the cost of the treatment or benefit. If you fail to submit needed information, the extension notice will describe the information needed and you will have 45 days to provide it. If you do not follow the plan's procedures for filing a preservice claim, you generally will be notified within five days
- **Concurrent Care Review:** may arise when the Plan has approved treatment to be provided over a period of time or a number of treatments. A reduction or termination by the plan of the course of treatment (other than by plan amendment or termination) before the end of the originally approved period of time or number of treatments is considered a claim denial. If the Plan has approved a course of treatment and subsequently reduces or terminates that approval, you will be given sufficient advance notice to allow you to appeal the decision before it takes effect. If a course of treatment involves urgent care, your claim will be decided as soon as possible, taking into account the medical exigencies, but within 24 hours after the Plan receives your request, as long as your request is made at least 24 hours

before the end of the course of treatment. If your request is not made at least 24 hours before the end of the course of treatment, it will be treated as a new urgent care claim and decided within the time frame described above for urgent care claims (within 72 hours). If a course of treatment does not involve urgent care, your request to extend the course of treatment will be treated as a new claim and decided within the time periods that apply to the type of claim (preservice or post-service)

- **Post-Service Review:** a claim for which you do not need prior approval in order to have the benefit or treatment covered. A request for payment for medical care already received by you is a post-service claim. If a decision is not made within 30 days because you fail to submit necessary information, you will have 45 days to provide this information

If your review is not for urgent care, preservice or concurrent care, it will be treated as a post-service review.

What Happens If My Claim Is Denied?

If your claim is denied, in whole or in part, you will receive a written or electronic notice containing the following information (for urgent care medical review, you may receive oral notice followed by a written or electronic notice within three days):

- The specific reasons for the denial
- Reference to the specific plan provisions on which the denial is based
- A description of any additional material or information which you must provide in order to complete your claim and an explanation of why such material or information is necessary; incomplete claims will be treated as part of the request for information and extension process and not as a denial unless you do not respond to the request for information within the required time period
- Instructions and deadlines for making an appeal, including a statement of your right to file a lawsuit under ERISA if your appeal is denied

- In the case of a health claim involving urgent care, a description of the expedited review process for these types of claims
- For health and disability plans, a statement that a free copy of any internal rule, guideline, protocol or other similar criterion relied on in denying your claim will be provided to you on request
- For health and disability plans, if the denial was based on a clinical judgment or experimental treatment or similar exclusion or limit, a statement that a free explanation will be provided to you upon request

How Do I Make an Appeal If My Claim is Denied?

Your appeal must be in writing. Send a statement of why you believe your appeal should be granted, along with all documentation that you consider relevant, to the Appeal Reviewer listed above. You will be provided, upon request and without charge, reasonable access to and copies of all documents, records and other information relevant to your claim under applicable legal standards. If the Administrative Committee or Hearing Panel is the Reviewer, send your documentation to the Benefit Center. If another person or entity is the Reviewer, see the Plan's SPD or call the Benefit Center for the appropriate address.

- Health and Disability Plans: the Appeal Reviewer will be someone other than the Claim Reviewer or its subordinate. The Appeal Reviewer will not give deference to the denial of claim. If your claim was denied based on a medical judgment, the Appeal Reviewer will consult with a healthcare professional who has appropriate training and experience in the relevant field of medicine (and who was not consulted in connection with the denial of your first appeal). The Appeal Reviewer also will identify, at your request, any medical or vocational expert consulted in connection with the denial of your claim

What Happens If My Appeal Is Denied?

If your appeal is denied, in whole or in part, you will receive a written or electronic notice containing the following information:

- The specific reasons for the denial
- Reference to the specific plan provisions on which the denial is based

- A statement that you are entitled to receive, upon request and without charge, reasonable access to and copies of all documents, records and other information relevant to your claim under applicable legal standards
- A statement of your right to file a lawsuit under ERISA
- For health and disability plans, a statement that a free copy of any internal rule, guideline, protocol or other similar criterion relied on in denying your appeal will be provided to you on request
- For health and disability plans, if the denial was based on a medical necessity or experimental treatment or similar exclusion or limit, a statement that a free explanation will be provided to you on request

May I Have My Appeal Reheard?

Certain health (medical, dental and vision) plan administrators offer a voluntary rehearing of your appeal by an independent third party called the "Voluntary Third Level of Review." Not all health plan administrators offer the Voluntary Third Level of Review. Check with your health plan administrator.

The third level of review may be made only after your claim and appeal have both been denied. Your decision whether to submit an appeal to the Voluntary Third Level of Review will not affect any other rights you may have under the Plan.

There is no charge for filing a Voluntary Third Level of Review.

You do not have to ask for a voluntary rehearing to bring a legal action for a benefit. The period of time in which your voluntary rehearing is processed will not be counted against you in determining the timeliness of any later legal action you may bring.

Contact your health plan administrator for more information about the Voluntary Third Level of Review.

All decisions of the Appeal Reviewer (or Third Level of Review Reviewer) are final, conclusive and binding. If, however, you believe that the Reviewer did not follow the terms of the Plan or has violated law, you may bring a legal action under ERISA. See the *Your ERISA Rights* section in the Plan's SPD.

How Do I Contact the Persons and Entities

Named in These Procedures?

Send all correspondence and documents to the Administrative Committee, Hearing Panel, Director of Benefits or Benefit Center to:

Regular Mail:

Benefit Center: Claims Group
PO Box 470
Little Falls, NJ 07424-0470
(1-877-685-4481)

Overnight Mail:

Benefit Center: Claims Group
930 North Riverview Drive
Suite 800
Towaco, NJ 07512
(1-877-685-4481)

What Else Should I Know About How the

Reviewers Make Decisions?

The administrators and fiduciaries of Morgan Stanley's benefit plans, including the Reviewers, have discretionary authority to interpret the plans and make determinations under the plans. Any decision made pursuant to this authority is given full force and effect unless arbitrary or capricious. See the plans' SPDs for details.

Benefit Center

Benefit Representatives:	1-877-685-4481 (toll free) 1-973-237-7192 (toll --- overseas employees) 1-800-833-8334 (toll free --- hearing impaired)
	9:00 a.m. - 7:00 p.m., Eastern Time, Monday through Friday, except certain U.S. holidays
Website:	https://www.benefitsweb.com/morganstanley.html 24 hours a day, seven days a week
Fax:	1-973-237-7440

Morgan Stanley Benefit Center
<https://www.benefitsweb.com/morganstanley.html>

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